

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE
NOVEMBER 16, 2021

[DOCKET NO. 2021-88-E](#) - Dominion Energy South Carolina, Incorporated's 2021 Avoided Cost Proceeding Pursuant to S.C. Code Ann. Section 58-41-20(A) - Staff Presents for Commission Consideration Final Disposition of Dominion Energy South Carolina, Incorporated's 2021 Avoided Cost Proceeding.

PRESIDING: J. WILLIAMS

SESSION: REGULAR **TIME: 2:00 P.M.**

Present in Hearing Room: Commissioners Belser, Caston, Powers, and Chairman J. Williams
Voting via WebEx: Commissioners Ervin, Thomas, and C. Williams

Note: Chairman J. Williams was present but not voting due to being on Annual Leave during Hearing

Commissioner Ervin Motion: MOTION ADOPTED (5-1 VOTE)

Motion by Commission Ervin for the Commission to divide the question and vote on each item separately
– Adopted

C. Williams: Yes
Belser: Yes
Caston: No
Ervin: Yes
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (1): MOTION ADOPTED (6-0 VOTE)

Because there is sufficient support in the record, I move that the Commission:

(1) approve that DESC continue using the Difference in Revenue Requirements (“DRR”) methodology to calculate both the energy component and the capacity component of its avoided costs. The DRR methodology is one of the generally accepted methods for calculating PURPA avoided energy costs, is used throughout the United States, and has been previously approved by this Commission in Order Nos. 2016-297, 2018-322(A), and 2019-847;

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: Yes
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (2): MOTION ADOPTED (6-0 VOTE)

(2) require DESC to correct the mismatch as identified by ORS Witness Horii under the change case used in the avoided capacity cost calculation as supported by ORS witness Horii and third-party consultant expert LEI;

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: Yes
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (3): MOTION ADOPTED (6-0 VOTE)

(3) approve two time periods as follows: The short-term period (May 2021 to April 2022) is used to establish avoided energy costs for PR-1 rates; and to establish avoided energy costs for Standard Offer rates, a long-term period (2022 to 2031) is used, which is broken down into two five-year groupings (2022 to 2026 and 2027 to 2031);

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: Yes
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (4): MOTION ADOPTED (6-0 VOTE)

(4) require that for the first three years DESC should forecast natural gas prices using natural gas futures (NYMEX) and beyond three years DESC shall use Energy Information Administration – Annual Energy Outlook’s reference case for establishing longer-term gas prices;

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: Yes
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (5): MOTION ADOPTED (5-1 VOTE)

(5) approve and find the 11 energy pricing periods for DESC's Standard Offer non-solar are sufficient for purposes of this proceeding:

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: No
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (6): MOTION ADOPTED (6-0 VOTE)

(6) approve the use of a technology-neutral approach for all resources as more appropriate. The Commission further approves the use of a single technology-neutral energy rate schedule. (i.e., DESC's proposed non-solar QF energy rates) to be used in place of separate rates specific to standalone solar QFs.

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: Yes
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Commissioner Caston Motion (7): MOTION ADOPTED (5-1 VOTE)

(7) adopt and approve the recommendation of ORS to shift the summer hours of 11:00 am to 2:00 pm from the summer peak period to the summer off-peak period. This shift "increases the average summer peak marginal cost and increases the accuracy of the TOU averages by 3% over the entire year." DESC's proposal has a 11:00 am to 11:00 pm peak period, but a review of DESC's 2022 hourly energy marginal costs shows that the average summer marginal costs between 11:00 am and 2:00 pm are significantly lower than the average costs for the other peak hours.

C. Williams: Yes
Belser: Yes
Caston: Yes
Ervin: No
Thomas: Yes
J. Williams: (not voting)
Powers: Yes

Belser Amendment – Alternate to Caston (8): MOTION FAILS (NOT ADOPTED BY A 3-3 VOTE)

(8) For avoided capacity costs, adopt and approve certain recommendations of LEI and intervenors ORS Witness Horii and CCL/SACE Witness Sercy, specifically, that (i) that DESC should match the capacity change being assessed and the generating unit size; and (ii) that capital and fixed operating and maintenance costs may need to be adjusted upwards. The Company is to provide updated rates.

The Commission adopts the proposed Performance Adjustment Factor (PAF) of 1.05 by Witness Sercy.

The Commission further adopts CCL/SACE Witness Sercy's and LEI's recommendation using data contained in the US Energy Information Administration's Annual Energy Outlook (EIA's AEO) for the capital cost assumptions. LEI states that "as the EIA's cost assumptions for an aero-CT addition are closest to the 100 MW being assessed, they serve as the best source for avoided capacity calculations."

The Commission also adopts the use of a single avoided capacity rate, as a resource's capability to deliver capacity when required should determine its payment regardless of technology type.^[1]

C. Williams: Yes

Belser: Yes

Caston: No

Ervin: Yes

Thomas: No

J. Williams: (not voting)

Powers: No

Commissioner Caston Motion (8): MOTION ADOPTED (4-2 VOTE)

(8) For avoided capacity costs, adopt and approve certain recommendations of LEI and intervenors ORS Witness Horii and CCL/SACE Witness Sercy, specifically, that (i) that DESC should match the capacity change being assessed and the generating unit size; and (ii) that capital and fixed operating and maintenance costs may need to be adjusted upwards. The Company is to provide updated rates.

The Commission declines to adopt the proposed Performance Adjustment Factor (PAF) of 1.05 by Witness Sercy.

The Commission further adopts CCL/SACE Witness Sercy's and LEI's recommendation using data contained in the US Energy Information Administration's Annual Energy Outlook (EIA's AEO) for the capital cost assumptions. LEI states that "as the EIA's cost assumptions for an aero-CT addition are closest to the 100 MW being assessed, they serve as the best source for avoided capacity calculations."

The Commission also adopts the use of a single avoided capacity rate, as a resource's capability to deliver capacity when required should determine its payment regardless of technology type.¹

C. Williams: Yes

Belser: No

Caston: Yes

Ervin: No

Thomas: Yes

J. Williams: (not voting)

Powers: Yes

^[1] Since the Commission adopts a recommended a technology-neutral avoided capacity rates (i.e., no solar-specific capacity rates), LEI did not view the ELCC issue as relevant, because resources only receive the rate if they generate in the specified periods. This issue is moot.

Commissioner Caston Motion (9): MOTION ADOPTED (6-0 VOTE)

(9) order DESC to make the following two corrections:

- (i) correct the mismatch in DESC's methodology and assumptions for capital cost assumptions noted by ORS Witness Horri and LEI to adjust the size of the capacity change down to 66 MW or the size of the generator up to 100 MW.
- (ii) required DESC to correct and use 2022 as the reference year for the avoided cost calculations. DESC's calculations rely upon 2020 as the reference year, which results in an 18% underestimation of the avoided capacity cost.

C. Williams: Yes

Belser: Yes

Caston: Yes

Ervin: Yes

Thomas: Yes

J. Williams: (not voting)

Powers: Yes

Commissioner Caston Motion (10): MOTION ADOPTED (5-1 VOTE)

(10) adopt DESC proposed seasonal allocation at this time. However, the Commission directs and order DESC that going forward DESC shall assess the value of summer capacity and the value of winter capacity, and DESC must provide more clarity and data substantiation on why it believes summer capacity has little to no value as summer capacity should have value as well.

C. Williams: Yes

Belser: Yes

Caston: Yes

Ervin: No

Thomas: Yes

J. Williams: (not voting)

Powers: Yes

Commissioner Caston Motion (11): MOTION ADOPTED (5-1 VOTE)

(11) The Commission believes that it must set a fixed VIC as part of this proceeding. Because of this legal requirement, the Commission adopts the recommendations of ORS Witness Horii and the independent third-party consulting expert LEI that DESC's proposed VIC for all Tranches of \$1.80/MWh is a reasonable value for all newly contracted resources over the next two years and for existing contracts in Tranche 1 which previously used the interim VIC of \$0.96/MWh with a true up provision. For all new contracts in Tranche 2 or Tranche 3 shall use the \$1.80/MWh. A fixed VIC provides certainty for solar project developers and the Commission is concerned that continuing the interim VIC of \$0.96/MWh is risking too much of an unknown cost and rate increase for the ratepayer.²

C. Williams: Yes
 Belser: Yes
 Caston: Yes
 Ervin: No
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

Commissioner Caston Motion (12): MOTION ADOPTED (5-1 VOTE)

(12) With regard to the SSVM, adopt DESC's proposed mitigation protocol and SSVM calculation, with the incorporation of the modifications by DESC Witness Bell noted in his rebuttal testimony. These modifications include calculating solar QF production variability relative to forecast rather than actual, as well as allowing solar owners to aggregate production data from across the QFs that they own. The Commission believes comparing to forecast is a reasonable approach, and the established tranches allow a degree of latitude in terms of facility operations. DESC's proposed SSVM mitigation protocol require QFs to install a revenue quality meter (the integration meter) "capable of recording 5-minute energy production data for the Facility's AC production." However, the Commission adopts and orders that QFs shall continue to use standard production meter for recording QF generation as required under the Standard Offer/Form PPA. If DESC has a problem with the necessary data collection, the Company shall present the matter for consideration by the Commission.

C. Williams: Yes
 Belser: Yes
 Caston: Yes
 Ervin: No
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

² [You still have true up for Tranche 1 existing contracts using the interim VIC of \$0.96/MWh); which DESC says there are none]

Commissioner Caston Motion (13): MOTION ADOPTED (6-0 VOTE)

(13) adopt DESC's recommendation to maintain the current requirement that QFs submit the SSVM spreadsheet to DESC within two (2) business days of the month's end.

C. Williams: Yes
 Belser: Yes
 Caston: Yes
 Ervin: Yes
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

Commissioner Caston Motion (14): MOTION ADOPTED (6-0 VOTE)

(14) reject the DESC's proposed two-strike disqualification provision. The proposed two-strike disqualification provision could potentially harm customers, in the sense that any QFs that are disqualified from eligibility for the mitigation protocol, and hence are not able to reduce their monthly VIC, would no longer be incentivized to avoid unexpected variations in output.

C. Williams: Yes
 Belser: Yes
 Caston: Yes
 Ervin: Yes
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

Commissioner Caston Motion (15): MOTION ADOPTED (6-0 VOTE)

(15) with regard to the Standard Offer/Form PPA, adopt the following changes:

(a) order that DESC shall continue to allow cash collateral as an option for providing Performance Assurance.

(b) order that DESC must amend the proposed Form PPA amended to reference the 20-day requirement for delivery of the insurance certificate.

(c) order that DESC shall maintain the insurance coverage amounts in the Standard Offer PPA be maintained at current levels, and that the proposed higher coverage amounts shall apply only for the Form PPA used with QFs of more than 20 MW;

(d) order that DESC shall maintain the existing form of Surety Bonds by adopting the testimony of Witness Levitas and rejecting the proposed changes of DESC; and

(e) reject the proposal in DESC's PPA to require the QF to convey ancillary services to DESC at no additional cost and order DESC to remove the language in the PPA purporting to give DESC ancillary services for free.

C. Williams: Yes
 Belser: Yes
 Caston: Yes
 Ervin: Yes
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

Commissioner Caston Motion (16): MOTION ADOPTED (5-1 VOTE)

(16) with regard to the Notice of Commitment Form, reject all proposed changes by DESC. The Commission further orders that DESC shall keep and maintain the existing NOC Form except with regard to one and only one change adopting and incorporating the recommendation raised by CCEBA Witness Levitas to the termination clause of the NOC. There are no other changes to the NOC.

C. Williams: Yes
 Belser: No
 Caston: Yes
 Ervin: Yes
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

Commissioner Caston Motion (17): MOTION ADOPTED (6-0 VOTE)

(17) with regard to the standard for transparency required by South Carolina Code Section 58-41-20(J),³ further order and direct DESC be required to provide a more thorough and detailed Application. These proceedings are complex, and parties need to have full disclosure and adequate time for review. Given the time constraints and resource limitations that are inherent in complex proceedings such as avoided cost, in the future, utilities are required to include in their avoided cost application information adequate to ensure the underlying assumptions, data, and results are available to the parties and the Commission, as required by statute. The Commission specifically requires that DESC file the following information, at a minimum, in its next Avoided Cost proceeding and in all future avoided cost proceedings:

- All production cost modeling inputs and outputs, including fuel prices, variable O&M, generating unit operating parameters, load forecasts, hourly avoided cost outputs, and system dispatch data;
- Quantitative analysis and methodologies, with all inputs and outputs, for designating pricing periods;
- Resource expansion plans assumed for both avoided energy and avoided capacity calculations;
- Resource adequacy analyses, with all data inputs and outputs, used to develop avoided capacity rates;
- All workpapers used to calculate avoided energy and capacity rates from underlying production cost and capital cost modeling.

C. Williams: Yes
 Belser: Yes
 Caston: Yes
 Ervin: Yes
 Thomas: Yes
 J. Williams: (not voting)
 Powers: Yes

³ Code Section 58-41-20(J) requires that "[e]ach electrical utility's avoided cost filing must be reasonably transparent so that underlying assumptions, data, and results can be independently reviewed and verified by the parties and the commission."

Commissioner Caston Motion (18): MOTION ADOPTED (5-1 VOTE)

(18) I further move that the Commission prepare a full Order based upon this motion which shall provide further detail. I so move.

C. Williams: Yes

Belser: Yes

Caston: Yes

Ervin: No

Thomas: Yes

J. Williams: (Not Voting)

Powers: Yes